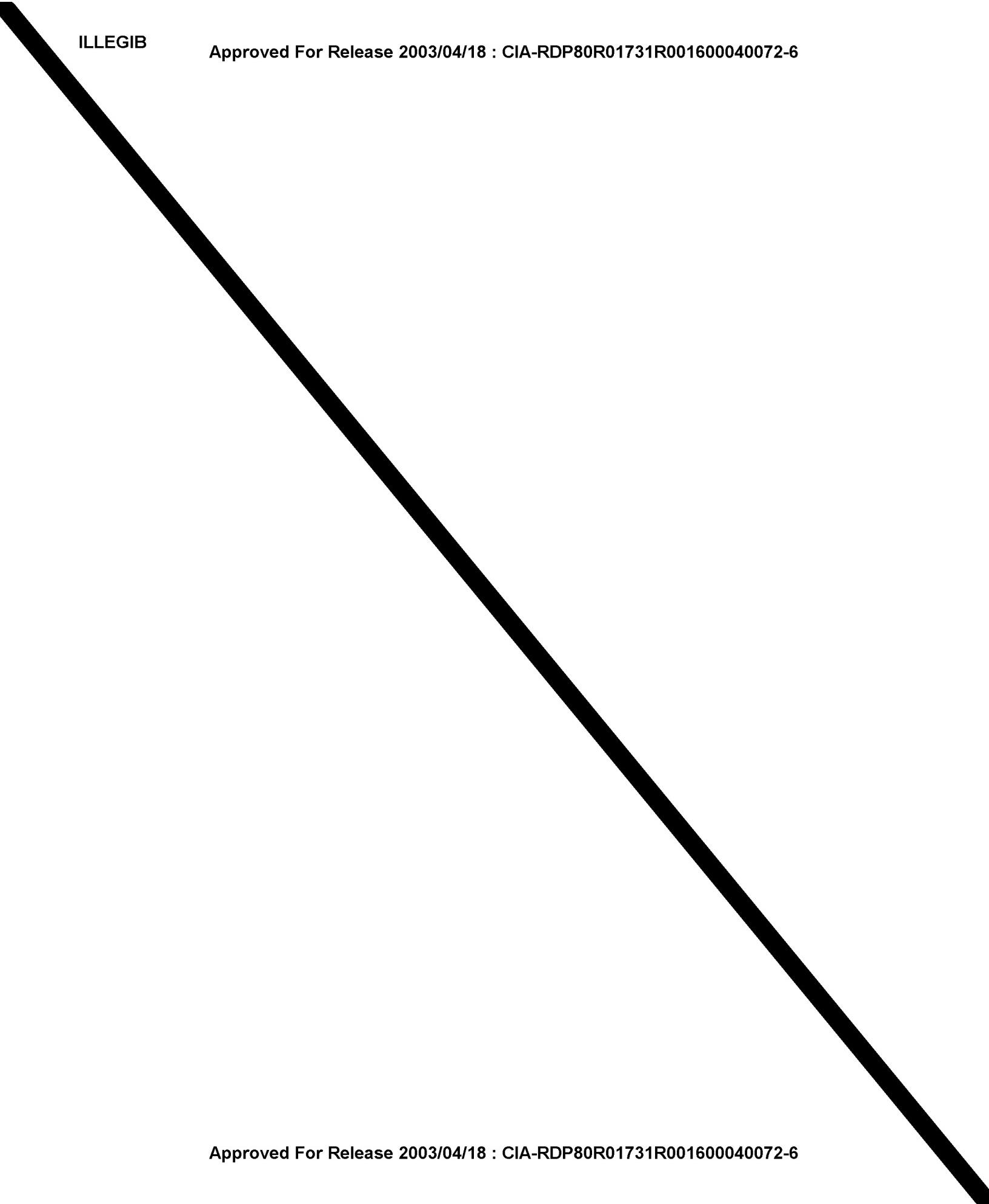


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In as much as there is a continuous interchange of information between the Department of State and the Central Intelligence Agency, I should like to suggest that your purposes could well be served if you could meet jointly with me and Under Secretary Webb for a thorough discussion of the points you have raised.

I have discussed your request with Mr. Webb ~~but~~ and if you wish I shall be happy to arrange such a meeting at any time convenient to you.

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CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

15 August 1949

The Honorable William F. Knowland
United States Senate
Washington, D. C.

Dear Senator Knowland:

In reply to your letter of 9 August 1949 concerning certain information relating to the equipment of the Chinese Communist Forces, I regret that, as the National Security Council determines the dissemination of intelligence information, I am unable to furnish the information requested unless authorized to do so by the National Security Council.

Inasmuch as there is a continuous interchange of information between the Department of State and the Central Intelligence Agency, it might be most useful for all concerned if you could assist at a meeting with the Under-Secretary of State, Mr. Webb, and myself during which the questions in your letter could be thrashed out.

With best regards, I am,

Sincerely,

R. H. HILLENKOETTER
Rear Admiral, USN
Director of Central
Intelligence

~~CONFIDENTIAL~~PERSONAL AND CONFIDENTIAL

11 August 1949

MEMORANDUM FOR: Mr. Dean Rusk
Assistant Secretary of State

SUBJECT: Letter from Senator William F. Knowland

1. The attached copy of a letter from Senator Knowland is self-explanatory. I should like to receive the guidance of the Department of State as to what reply to make to Senator Knowland.

2. If the Department of State believes it desirable to furnish the answers to the questions in the second paragraph of Senator Knowland's letter, we can give fairly complete information. Also, if it is deemed better not to give the information requested, I can write Senator Knowland and say that our dissemination of information is limited to those government agencies having representation on the National Security Council.

3. In either case, would you please let me have an expeditious reply—either by telephone or in memorandum—in order that I may make an answer to the basic letter.

signed & del by Lord
R. H. HILLENKOTTER
Rear Admiral, USN
Director of Central Intelligence
8-11

Encl

Copy letter to DCI
frm Sen Knowland, 8/9/49

dir to Mr. Rusk
cc - D file.

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TO		INITIALS	DATE
1	Executive Director	W	11 Aug. 11
2	Director	DD	11 Aug.
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FROM		INITIALS	DATE
1	Asst. Gen. Counsel	WLP	11 Aug.
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APPROVAL INFORMATION SIGNATURE
 ACTION DIRECT REPLY RETURN
 COMMENT PREPARATION OF REPLY DISPATCH
 CONCURRENCE RECOMMENDATION FILE

REMARKS:

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ER-0-5895

~~CONFIDENTIAL~~**Office Memorandum • UNITED STATES GOVERNMENT**

TO : The Director
FROM : Assistant General Counsel
SUBJECT: Request from Senator Knowland

DATE: 11 August 1949

1. Attached is the letter of which I spoke to you from Senator Knowland. He understands that the matter is most confidential and does not intend to use the information for public purposes, but merely for his own background.

2. Senator Knowland is checking with the Maritime Commission for information concerning two American ships which are believed to be leased to [redacted]

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~~CONFIDENTIAL~~

Walter L. Pforzheimer

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COPY

UNITED STATES SENATE
Committee on Armed Services

August 9, 1949

Dear Admiral:

I have been extremely interested in following the United States foreign policy in China and am desirous of obtaining additional information. As you know, the communist forces in China have made rapid strides, from a military standpoint, in the last few months. This raises certain questions in my mind that I believe you can answer for me.

To sustain their military and political momentum, the communists would require small arms, ammunition, artillery of all types, motor vehicles, fuels and lubrications, signal communications, food, clothing, and last, but not least, means to disseminate propaganda and information of their activities. In short, for an undertaking as vast as the Chinese communist movement, certain critical materials are required to sustain their program and consolidate their position in "conquered territory."

I would appreciate any information your staff could furnish me, which would clarify the means taken by the Chinese communists to supply the items mentioned in the above paragraph, and any other information which you feel would be helpful with respect to the operation being conducted by them.

I would prefer the information in memorandum form, but I would have no objection, if you feel it advisable, to a member of your staff furnishing me with an oral brief.

With best regards, I am

Sincerely yours,

Signed

William F. Knowland

Rear Admiral R. H. Hillenkoetter
Director of Central Intelligence
2430 E Street, N. W.
Washington 25, D. C.

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Executive Registry

0-5-922

12 August 1949

MEMORANDUM FROM: DIRECTOR, CENTRAL INTELLIGENCE AGENCY

SUBJECT: Supply Situation of Chinese Communists

The Chinese Communists are confronted with certain serious economic difficulties, but these are not expected to retard significantly their military conquest of China and their elimination of open political opposition. The Communist present military superiority over the Nationalist armed forces is overwhelming, and furthermore the major campaigns of the war have already been fought and won by the Communists. The principal requirement of the Chinese Communists are enumerated below, with a brief discussion of Chinese Communist capabilities of satisfying these requirements.

Material Requirements

1. Small arms, ammunition, artillery: The present resources of the Chinese Communists in small arms, ammunition, and artillery are adequate to sustain their present advance against the Nationalist armies. The largest operable arsenal in the Far East (the Mukden Arsenal in Manchuria) is located in Communist territory. At full capacity, this arsenal could supply almost all the requirements of the Chinese Communists for small arms, ammunition, and artillery. Although the Mukden Arsenal is now operating at only partial capacity, the Chinese Communists are still able to draw supplies from large arsenals in other cities as well as from many very small arsenals scattered throughout their territory. In addition, the Chinese Communists have a large supply of United States equipment captured from the Nationalist armies. It is estimated that about 90 percent of the United States equipment supplied to Nationalist units in the field has fallen to the Communists.

2. Transportation, fuels, and lubricants: The requirements of the Communist armies for motor vehicles, and other forms of transportation, as well as for the fuels and lubricants needed to maintain their vehicles, will not seriously handicap their advance against the Nationalists. The Chinese Communist armies are marching armies; only a minimum of reliance has been placed on mechanical modes of transport. Communist forces which occupied Feiping were observed to have some USSR manufactured motor vehicles.

3. Signal communications: Comparatively little is known about signal communication in the Chinese Communist armies beyond the fact that their radio nets are probably as adequate as those possessed by the Nationalists. Requirements in this field, however, would constitute a relatively minor part of the Communists' overall materiel requirements, and so would probably not preclude their continued advance against the Nationalists.

Other requirements

1. Food: Food requisitions from the surrounding countryside have been and will continue to be the method followed for feeding the Chinese Communist armies. Shortages of mechanical transportation available to the Communist armies south of the Yangtze River require local requisitioning of food. Military operations for 1949 should not be impeded by lack of food, although the admittedly poor crop outlook may reduce the effectiveness of Communist propaganda directed at the civilian population. The reduced 1949 crop will probably result in famine in the spring of 1950 and encourage the Communists to seek an expansion of food imports.

2. Fuel: China is almost entirely dependent on imports to meet its oil requirements. For the present, the Nationalist blockade has effectively reduced oil shipments to the Chinese Communists, although some Soviet gasoline has been reported moving into North China through Manchuria. Much of China's oil requirements can be met by conversion of facilities to coal. Transportation bottlenecks and Nationalist air harassment of shipping and rail lines, however, have effectively reduced the availability of this fuel to the Chinese economy. The coal shortage has contributed to depression and widespread unemployment in Shanghai and other cities occupied by the Communists. Communist success in propagandizing the urban proletariat will depend in large part on their successes attained in solving this unemployment problem in the cities.

3. Cotton: China's most important industry - textile mills - will depend on imports of cotton next year (possibly 2 million bales) if it is to operate at normal capacity. The Nationalist blockade and Communist shortage of foreign exchange, however, will necessarily cut down on imports and force operations at less than normal capacity. The Communists are now attempting to meet the resultant unemployment problem by forcing the dispersal of the unemployed to other centers. Communist success in consolidating their political position will depend in good part on how well the unemployment problem is solved.

4. Paper: There has been considerable Communist demand for currency paper but little for newsprint or other cheaper paper, which can be produced in China. It is not expected that the propaganda program of the Communists will be seriously impaired by paper shortages.

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The unpleasant but unavoidable conclusion remains, therefore, that the Communists will be able to sustain their military momentum until they control all of mainland China. The serious economic problems indicated above will handicap the Communists in carrying out their economic program and make difficult the consolidation of their control, but it is not expected that these problems will be sufficient to cause a change in overall Chinese Communist strategy.

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CC: Director (1) ✓
Central Records (1)
AD/ORE (1)
Legislative Liaison Branch (1)
B/FE (2)

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 COMMENT PREPARATION OF REPLY DISPATCH
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REMARKS:

Guy: The DCI took
original & one carbon &
Jew. Knewlands incoming
letter & asked me to send
these to you.

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